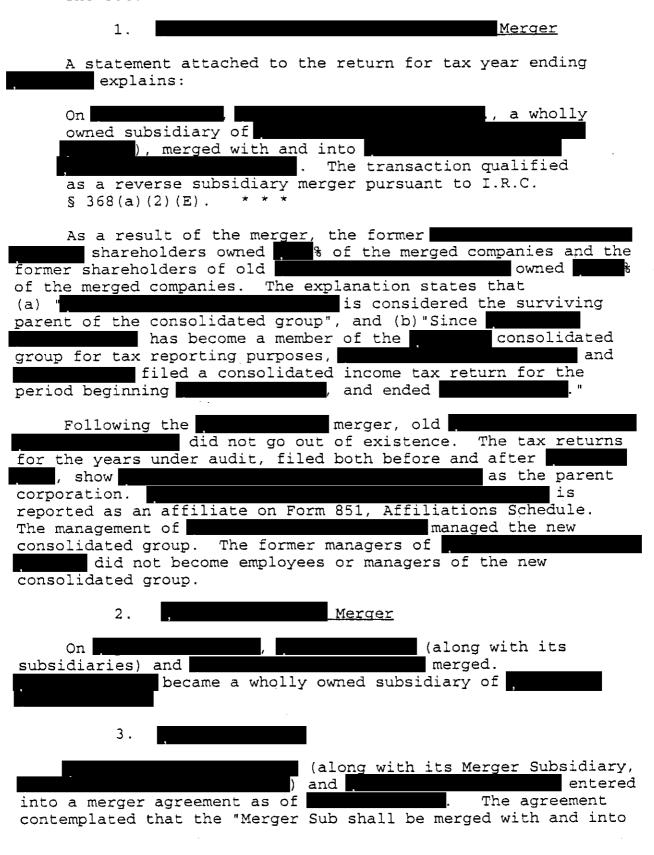
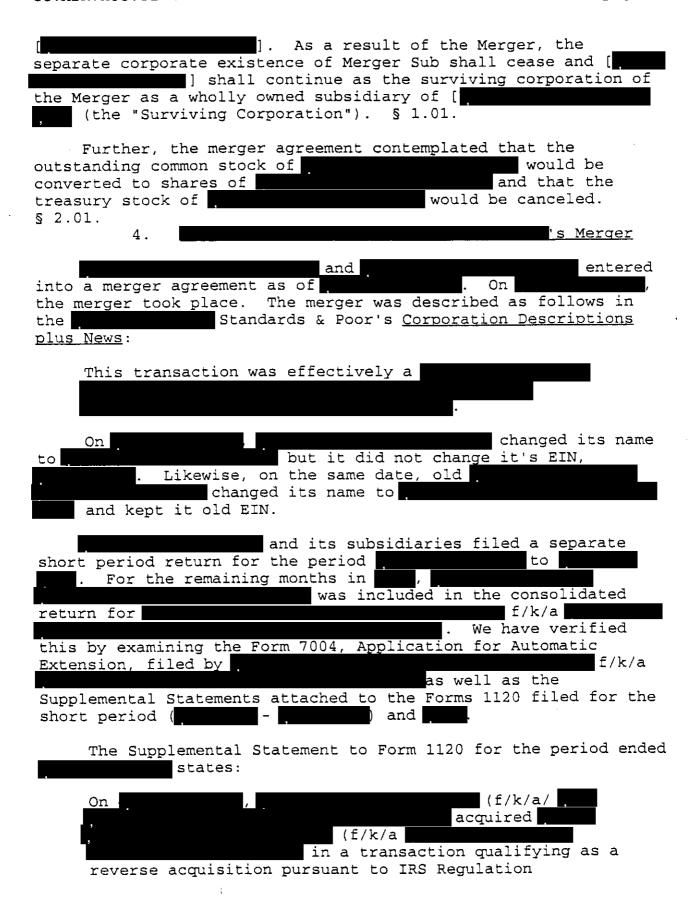
Office of Chief Counsel Internal Revenue Service

memorandum

	CC:MSR:HOU:TL-N-2869-98 LDBrigman
date:	SEP 1 5 2000
to:	Chief, Examination Division, Houston District Thelma Tyson, Revenue Agent, Group 1305, Stop 4305HNW
from:	District Counsel, Houston District, Houston
subject:	Consent to Extend Statute Of Limitations
	Examination Division is examining (formerly a subsidiary of) and (formerly a subsidiary of). They have asked us to review draft Forms 872 for the following entities:
	The tax period under audit is through ("short tax year"). During this short tax year, and its subsidiaries were a consolidated group filing a consolidated return. was a Delaware Corporation.
	The following taxable years of are under examination:
	returns with its subsidiaries for all of the years listed above. Two reverse acquisitions took place, the first on and second on

The relevant facts are discussed below:

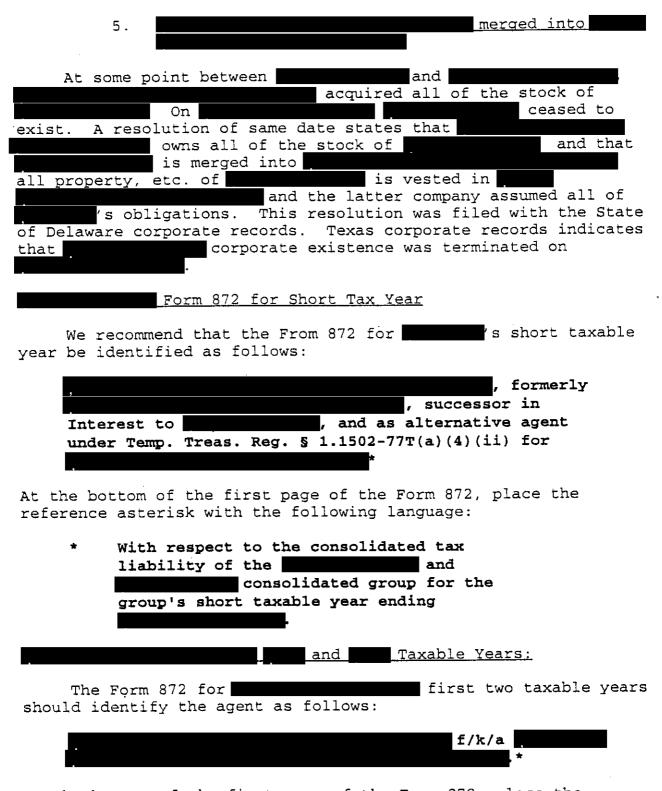




§ 1.1502-75(d)(3). As a result, is considered the surviving parent of the consolidated group. Since has become a member of the consolidated group for tax reporting purposes effective on filing a separate consolidated tax return for the period beginning and ended in the seriod seri
The Supplemental Statement to Form 1120 for the period ended states:
On wholly owned subsidiary of f/k/a , merged with and into f/k/a . The transaction qualifies as a reverse subsidiary merger pursuant to IRS § $368(a)(2)(E)$.
Under the agreement, the shareholders of received approximately shares of shares of shares of shareholders owned approximately shares and the former shareholders owned approximately shares. The result was that the old shareholders owned approximately shareholders owning more than shareholders owning more than a reverse acquisition under Reg. § 1.1502-75(d)(3) occurred for federal income tax purposes. As a result, is considered the surviving parent of the consolidated group. ***
Despite the statement that, is considered the surviving parent of the consolidated group for tax purposes, is identified as an affiliate of the parent corporation, on a f/k/a on a income tax form filed for the consolidated group. Further, we understand that the former management team became the predominant management for the combined group.

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At the bottom of the first page of the Form 872, place the reference asterisk with the following language:

* With respect to the consolidated tax

liability of the consolidated group for the group's taxable years ending and short taxable year ended

Below the signature block for the taxpayer, type the following:

alternative agent under Temp. Treas. Reg. § 1.1502-77T(a)(4)(i)

and Taxable Years:

The Form 872 for second two taxable years should identify the agent as follows:

f/k/a ____.*

At the bottom of the first page of the Form 872, place the reference asterisk with the following language:

* With respect to the consolidated tax
liability of the consolidated
group for the group's taxable years ending
and

Below the signature block for the taxpayer, type the following:

formerly formerly

General Matters

As a final matter, we recommend that you pay strict attention to the rules set forth in the Internal Revenue Manual ("IRM"). Specifically, IRM 4541.1(2) requires use of Letter 907(D0) to solicit the extension, and IRM 4541.1(8) requires use of Letter 929(D0) to return the signed extension to the taxpayer. Dated copies of both letters should be retained in the case file as directed. When the signed extension is received from the taxpayer, the responsible manager should promptly sign and date it in accordance with Treas. Reg. § 301.6501(c)-1(d) and IRM 4541.5(2). The manager must also update the statute of limitations in the continuous case management statute control

file and properly annotate Form 895 or equivalent. See IRM 4531.2 and 4534. This includes Form 5348. In the event an extension becomes separated from the file or lost, these other documents would become invaluable to establish the agreement.

Furthermore, please note that § 3461 of the Restructuring and Reform Act of 1998, codified in I.R.C. § 6501(c)(4)(B), requires the Internal Revenue Service to advise taxpayers of their right to refuse to extend the statute of limitations on assessment, or in the alternative to limit an extension to particular issues or for specific periods of time, each time that the Internal Revenue Service requests that the taxpayer extend the limitations period. To satisfy this requirement, you may provide Publication 1035, "Extending the Tax Assessment Period," to the taxpayer when you solicit the statute extension. Alternatively, you may advise the taxpayer orally or in some other written form of the provisions of I.R.C. § 6501(c)(4)(B). In any event, you should document your actions in this regard in the case file.

Please note, the Director of Field Operations should sign the Form 872 on behalf of the Internal Revenue Service. Attached is Delegation Order No. 42 showing how the signature block should read.

Please do not hesitate to call if you have any questions. My direct dial number is (281) 721-7311.

By:

LILLIAN D. BRIGMAN
Special Litigation
Assistant

Attachment